

Message Text

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ACTION OPIC-06

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /065 W

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 8117

UNCLAS SINGAPORE 3016

E.O. 11652: NA

TAGS: EINV, SN, US

SUBJECT: OPIC COVERAGE IN SINGAPORE

REF: (A) SINGAPORE 2991, (B) SINGAPORE 2978

1. ECON COUNSELOR CALLED IN JULY 18 BY MFA REGIONAL AND ECONOMIC DIVISION DIRECTOR LEE CHIONG GIAM TO DISCUSS POSSIBLE DISCONTINUANCE OF OPIC INVESTMENT INSURANCE COVERAGE FOR PROJECTS IN SINGAPORE. LEE HAD CLEARLY BEEN ASKED TO DO SO BY YEO SENG TECK, EDB DIRECTOR (SEE REFTEL B); HE MENTIONED THAT MFA HAD INSTRUCTED AMBASSADOR COOMARASWAMY TO MAKE REPRESENTATIONS IN WASHINGTON.

2. LEE STRESSED IMPORTANCE OF U.S. INVESTMENT IN SINGAPORE, WENT OVER VARIOUS INCENTIVES GOS HAS PROVIDED TO ATTRACT IT, AND STATED THAT U.S. INVESTMENT IS ESSENTIAL TO CONTINUING SINGAPORE'S ECONOMIC DEVELOPMENT PERFORMANCE. HE SAID THAT DISCONTINUANCE OF OPIC INVESTMENT INSURANCE COVERAGE FOR SINGAPORE COULD BE INTERPRETED AS LACK OF USG INTEREST AND THAT THIS WOULD CREATE AN UNFORTUNATE PSYCHOLOGICAL EFFECT ON PROSPECTIVE INVESTORS. LEE WENT FURTHER TO SUGGEST THAT OPIC DISCONTINUANCE MIGHT EVEN PRECIPITATE SIMILAR ACTION BY OTHER COUNTRIES OFFERING INCENTIVES

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TO THEIR PRIVATE SECTORS TO INVEST IN SINGAPORE.

3. LEE REPEATED YEO'S CONTENTION THAT GNP IS NOT AN APPROPRIATE MEASURE ON WHICH OPIC MIGHT BASE ITS DECISION; HE NOTED THAT BRUNEI AND KUWAIT HAVE HIGH PER CAPITA GNP BUT ARE HARDLY DEVELOPED COUNTRIES.

4. WHILE E/C COUNSELOR WAS AT MFA, EMBOFF WAS HEARING
SIMILAR EXPOSITION FROM EDB PROJECTS DIVISION ACTING
DIRECTOR SELVARETNAM, WHO STRESSED FOLLOWING
POINTS:

--POLITICAL RISK COVER IS PARTLY A POLITICAL MATTER,
BUT IS ECONOMIC IN THE SENSE THAT OPIC CHARGES PREMIUMS,
AND ANY INSURANCE COMPANY NEEDS TO BALANCE GOOD WITH
BAD RISKS IN ORDER TO BE PROFITABLE. SINGAPORE HAS
EXCELLENT RECORD IN THIS RESPECT, AND ADDED PROTECTION
IS PROVIDED BY BILATERAL INVESTMENT GUARANTEE
AGREEMENT. (COMMENT: EMBOFF, WHILE NOT REBUTTING
THE ARGUMENT, POINTED OUT THAT OPIC OPERATES UNDER
CONGRESSIONAL MANDATE WITH STRONG FOREIGN ASSISTANCE
ELEMENT, AND IS NOT AS FREE TO CHOOSE WHERE IT
OPERATES AS A PRIVATE INSURANCE COMPANY.)

--THE DESIGNATION OF SINGAPORE AS A "MIDDLE INCOME"
COUNTRY IS A SENSITIVE POINT TO GOS, AND FOR USG TO
ENDORSE THIS APPELLATION COULD LEAD TO DRYING UP OF
OTHER OFFICIAL AND PRIVATE SOURCES OF ASSISTANCE,
INVESTMENT AND INSURANCE.

--SUBJECT OF FOREIGN INVESTMENT WILL BE CONSIDERED
IN UPCOMING US-ASEAN TALKS, AND ACTION BY USG TO
INTERFERE WITH FLOW OF INVESTMENT IS, AT LEAST, BAD
TIMING.

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